Brinker Capital

Personal Benchmark

3Q2018 guide to goals-based performance reporting

Brinker Capital designed Personal Benchmark to help create purchasing power and manage behavioral conflicts.

This guide will help you better understand the Performance Report and can be used as a tool to deepen advisor-investor relationships.

Frame the discussion: It's a joint commitment

Historically, investment performance, rather than good investor behavior, has been the primary determinant of investment success. We know that investor behavior accounts for **at least half** of performance success, meaning that both the financial advisor and client have a role in ensuring that goals are met. Take this opportunity to make a joint commitment:

- **Financial advisors:** Reinforce the value of working together to make sound investment decisions.
- **Investors:** Reinforce your commitment to maintaining a long-term focus, adhering to personal (rather than market) benchmarks, making ongoing contributions, and reducing emotion-laden irrational behavior.

Framing the conversation this way helps empower investors who may not have realized the positive power they have over the process.

Use mental accounting: Make it personal

Investors tend to mentally account for money designated for specific goals. There are three primary reasons why this can help to promote good behavior:

- Personal goals are likely to be long or medium term
- Investors have the salience to increase saving
- Buckets provide a way to observe measurable, incremental progress

Take the time each quarter to reinforce an investor's purpose for each investment category - or "bucket" - and how it performed.

By allocating long-term goals into smaller buckets, the advisor provides more opportunities for success, which is likely to encourage further rational investment behavior.

Be sure to congratulate your client as they achieve small milestones in each of their buckets and provide them with a sense of how far they have come and how far they have yet to go.

- Daniel Crosby, Ph.D.

Investment allocations	Purpose	Quarterly commentary (as of 9/30/18)
SAFETY	The **safety** bucket focuses on **protecting purchasing power**	The safety bucket was positive for the quarter. Fixed income manager selection and an underweight to duration relative to the broad fixed income index contributed to returns. A meaningful bias to global credit was also a positive.
INCOME	The **income** bucket focuses on **providing current income**	The income bucket was positive for the quarter but lagged the accumulation bucket due in part to its higher allocation to international equity. Income-oriented equities, in which the bucket has a meaningful bias, tend to have a larger allocation to international equities as a result of finding more attractive yield opportunities within non-US companies in some areas.
TACTICAL	The **tactical** bucket focuses on **responding to the markets**	The tactical bucket was positive for the quarter, helped by strong manager selection within both higher volatility and lower volatility absolute return strategies. Long/short credit posted strong returns, helped by idiosyncratic distressed credit opportunities. Event driven benefitted from catalyst driven positions working out favorably. A small position to global macro detracted.
ACCUMULATION	The **accumulation** bucket focuses on **growing purchasing power** over time	The accumulation bucket had strong returns for the quarter. Contributors to performance included an overweight to risk, an overweight to domestic equities relative to international equites and small-mid cap manager selection. An overweight to emerging markets and a small allocation to global natural resources detracted from returns.

Source: Brinker Capital. Holdings subject to change.

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Guide to goals-based performance reporting

Focus on what matters most: Resolve simultaneous risk preferences

An investor's willingness to take risk is impacted by the way in which they have framed their goal. More important goals with a shorter timeline should include less risk, and vice versa. Traditional portfolios typically consider a single performance measure, usually a benchmark, to gauge performance. The problem is that investors tend to want risk in bull markets and safety in bear markets, regardless of what they may have indicated in earlier conversations about risk.

This bucketed approach enables advisors to continuously measure and adjust the portfolio to meet the specific goals of the investor and provides opportunities for safety and risk in all markets. Personal Benchmark considers an investors' simultaneous preferences and provides the advisor with talking points in all markets. Instead of using a market index as a benchmark, be sure to compare the results of the bucket to the specific goal it is supposed to be meeting and make adjustments accordingly.

Portfolio managers

Jeff Raupp, CFA
Chief Investment Officer
BS, University of Delaware
MBA, Villanova University

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BS, Lehigh University

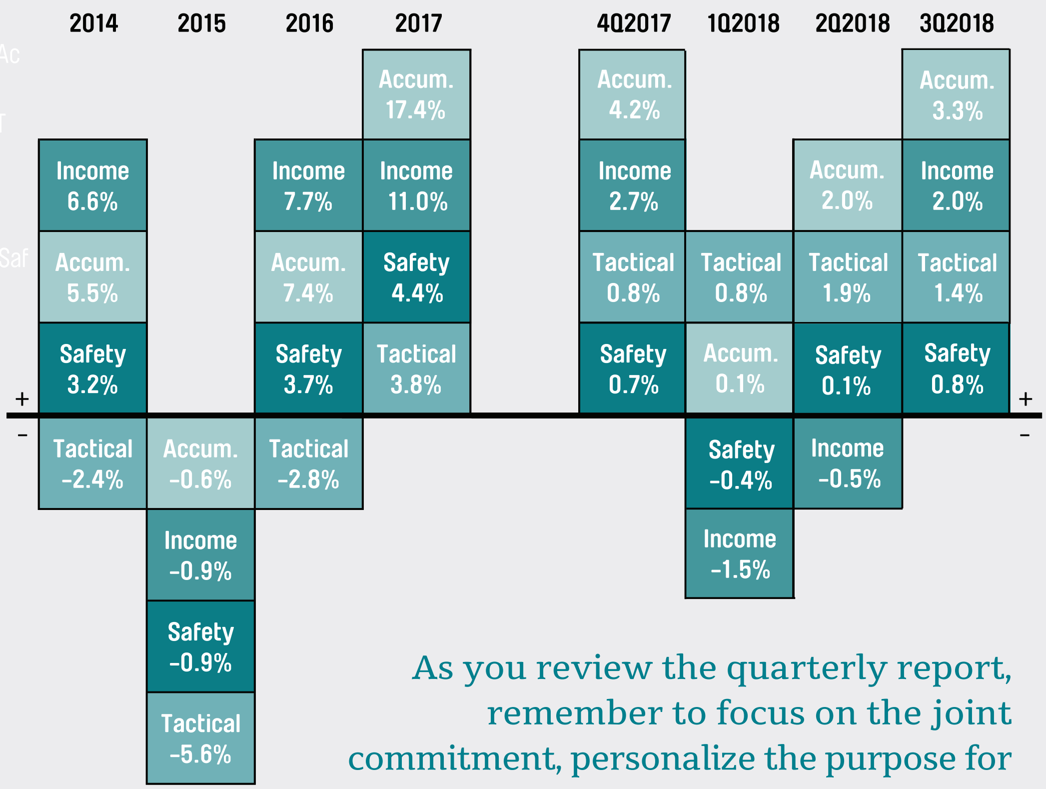
Firm overview

Brinker Capital is an investment management firm and one of the nation's leading independent providers of managed account and mutual fund investment services. Through our innovative investment products, we seek to provide real purchasing power for investors and sustainable purchasing power for future generations. Brinker Capital was founded in 1987 by Charles Widger and is located in suburban Philadelphia.

For more information

Contact a member of your Brinker Capital Client Service team at **800-333-4573**

Historical table of returns



As you review the quarterly report, remember to focus on the joint commitment, personalize the purpose for each "bucket" and frame the discussion to measure results relative to goals.

Source: Brinker Capital. Performance shown is for the Balanced Growth & Income (qualified) strategy. Performance shown is gross (before the deduction) of fees.

Past performance is no guarantee of future results. Returns are calculated gross (before the deduction) of advisory fees pay able to Brinker Capital and any other expenses for services not covered by the advisory fee includingadministrative costs, which would reduce your return. Destinations Funds are used within Personal Benchmark portfolios and have a 0.39% management fee paid to Brinker Capital. Brinker Capital's fee does not include the internal management fees and operating expenses of mutual funds in which a client's account is invested, which are reflected in the performance information contained herein. Brinker Capital's fees are disclosed in Part 2A of its Form ADV. The net effect of the deduction of Brinker Capital's fees in annualized performance, including the compounding effect over time, is determined by the relative size of the fee and the account's investment performance. The chart to the right depicts the effect of a relative size of the fee and the account's investment performance, depicting the effect of a 1% management fee on the growth of one dollar over a 10-year period at 10% (9% after fees), 5% (4% after fees) and 3% (2% after fees) assumed rates of return. Looked at another way, $10,000 invested at 10% for 10 years would grow to $25,937.42; at 9% it would grow to $23,673.64.

Year	1	2	3	4	5	6	7	8	9	10
10%	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59
9%	1.09	1.19	1.30	1.41	1.54	1.68	1.83	1.99	2.17	2.37
5%	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63
4%	1.04	1.08	1.12	1.17	1.22	1.27	1.32	1.37	1.42	1.48
3%	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34
2%	1.02	1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20	1.22